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Federal Communications Commission
Office of the Secretary

UNIVERSAL SERVICE

MONITORING REPORT

CC DOCKET NO. 98-202

2009

(Data Received Through August 2009)

Prepared by Federal and State Staff for the

Federal-State Joint Board on Universal Service in

CC Docket No. 96-45

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Introduction and Summary

This is the thirteenth report in a series of reports prepared by federal and state staff members for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45 (Universal Service Joint Board).[1] This report is based on information available to us as of August 2009. These reports contain information designed to monitor the impact of various universal service support mechanisms, and the methods used to finance them. These mechanisms were adopted by the Federal Communications Commission (Commission), based on recommendations from the Universal Service Joint Board. These reports are part of a monitoring program created by the Commission in 1997 to replace a similar program in CC Docket No. 87-339 that resulted in a series of nineteen *Monitoring Reports.*[2] The current program incorporates most of the information that was collected under the previous program, and also new materials from the reports of the administrator of the universal service support mechanisms, the Universal Service Administrative Company (USAC). To enhance our monitoring ability, we have created an open docket,[3] which allows data, materials, comments, and studies to be submitted by any interested party at any time.

The monitoring program has proven to be valuable, not only as a report on the effects of the Commission's regulatory policies, but also as a complete census of all incumbent local exchange carriers. Because smaller carriers generally are exempt from most Commission reporting requirements, the *Monitoring Report* incorporates data from several sources, including the National Exchange Carrier Association (NECA) and USAC. USAC collects information from all eligible (including competitive) local exchange carriers to administer the universal service support mechanisms. NECA, at the direction of the Commission, collects information in order to administer the access charge pools and also provides information to USAC that is utilized in administering the Universal Service Fund. The *Monitoring Report*, therefore, contains the only available comprehensive data on all incumbent local exchange carriers, including data on such matters as the number of telephone lines, calling volumes, and certain types of costs. It also includes some information on other carriers.

This report presents data for the nine subject categories selected for monitoring. The first section provides information on the contributions to the universal service support mechanisms and

1 The last report was released on December 31, 2008. *Universal Service Monitoring Report*, CC Docket No. 98-202, 2008 (Data Received Through June 2008), prepared by the Federal and State Staff for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45.

2 *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9218, para. 869 (1997) (*Universal Service First Report and Order*). *See* 47 C.F.R. § 54.702(i).

3 CC Docket No. 98-202.

industry revenues, on which those contributions are based. The next four sections provide information on the various support mechanisms: low-income support; high-cost support; schools and libraries support; and rural health care support. The remaining four sections provide information on matters that might be affected by the support mechanisms: subscribership and penetration; rates and price indices; network usage and growth; and quality of service. Two sections that appeared in previous monitoring reports: infrastructure; and revenues, expenses, and investment are no longer included in this report because the Commission has granted forbearance requests from the larger carriers that reported the data therein. The *Monitoring Report* is published once a year.

The following are highlights of some of the material in this report. Section 1 provides an update on industry revenues and the universal service program requirements and contribution factors. Section 2 includes the latest data on the Lifeline and LinkUp programs. Section 3 includes the most recent projected payments for all of the high-cost support mechanisms, based on the quarterly reports from USAC. It also includes information from the latest filing by NECA for the high-cost loop fund. Section 4 includes updated data on the schools and libraries support mechanism. Section 5 includes updated data on the rural health care support mechanism. Section 6 includes the most recent Census data on subscribership from the Current Population Survey and the American Community Survey. It also includes data on telephone penetration by income by state and a discussion of the impact of Lifeline programs on penetration. Section 7 includes updated Consumer Price Index and Producer Price Index data and other updated rate information. Section 8 includes the latest NECA data on access minutes. Section 9 includes updated data on the quality of service from the Commission's Automated Reporting Management Information System (ARMIS) reports.

This entire report is available electronically through the Wireline Competition Bureau Statistical Reports[4] Internet site, which can be reached at www.fcc.gov/wcb/stats. It is available in both page image (.pdf) format and in a compressed (.zip) format, which, when unzipped yields word processing and spreadsheet files. In addition, information received well in advance of the next *Monitoring Report* will be made available on an interim basis in separate staff reports or in raw data files (such as most NECA filings used in the *Monitoring Report*) on the Wireline Competition Bureau Statistical Reports Internet site. In addition, the ARMIS data are available on the ARMIS Internet site, which can be reached at www.fcc.gov/wcb/eafs/.

For ease of public reference, parties submitting materials for this docket should provide a duplicate copy to the FCC's Reference Information Center,[5] where copies of all materials filed in the docket are available for public reference.

This report has been prepared by the federal staff listed below and reviewed by the state staff listed below. These staff members can be contacted for further information:

General Information:	Alex Belinfante (Federal) (202) 418-0944 Alan Feldman (Federal) (202) 418-0943

4 Formerly FCC-State Link.

5 Courtyard Level, 445 12th Street SW, Washington, DC 20554.

Industry Revenues and Contributions:	Jim Lande (Federal) (202) 418-0948 Jim Eisner (Federal) (202) 418-7302 Craig Stroup (Federal) (202) 418-0989 Kay Marinos (Oregon) (503) 378-6730 Jessica Hilgendorf (Florida) (850) 413-6044
Low-Income Support:	Suzanne Mendez (Federal) (202) 418-0941 Jim Eisner (Federal) (202) 418-7302 Natelle Dietrich (Missouri) (573) 751-7427 Denise Parrish (Wyoming) (307) 777-7427
High-Cost Support:	Alex Belinfante (Federal) (202) 418-0944 Joel Shifman (Maine) (207) 287-1381 Robert Haga (California) (415) 703-2538 Kerri DeYoung (Massachusetts) (617) 305-3580
Schools and Libraries Support:	Craig Stroup (Federal) (202) 418-0989 John Vu (Federal) (202) 418-2333 Jennifer Richardson (Indiana) (317) 232-2785 Peter Pescosolido (Connecticut) (860) 827-2616
Rural Health Care Support:	Craig Stroup (Federal) (202) 418-0989 John Vu (Federal) (202) 418-2333 Vicki Helfrich (Mississippi) (601) 359-2660 George Young (Vermont) (802) 828-2358
Subscribership and Penetration:	Alex Belinfante (Federal) (202) 418-0944 Earl Poucher (Florida) (850) 487-8242 Kathy Hagans (Ohio) (614) 466-9583
Rates and Price Indices:	Jonathan Kraushaar (Federal) (202) 418-0947 Jim Eisner (Federal) (202) 418-7302 Joel Shifman (Maine) (207) 287-1381 Christine Aarnes (Kansas) (785) 271-3132
Network Usage:	Alex Belinfante (Federal) (202) 418-0944 John Ridgway (Iowa) (515) 281-4034 Lori Kenyon (Alaska) (907) 263-2123
Quality of Service:	Jonathan Kraushaar (Federal) (202) 418-0947 Earl Poucher (Florida) (850) 487-8242 Brad Ramsay (NARUC) (202) 898-2207

SERVICE LIST

All items filed in CC Docket No. 98-202 must be filed with the Secretary, Federal Communications Commission, 445 12th Street, SW, Room TW-B204, Washington, D.C. 20554, and the following Commissioners and staff members (e-mail addresses of staff members follow their mailing addresses):

DOCKET NO. 96-45 JOINT BOARD MEMBERS

Commissioner Mignon Clyburn
Federal Communications Commission
445 12th Street SW, Room 8-A302
Washington, DC 20554

Commissioner Michael J. Copps
Federal Communications Commission
445 12th Street SW, Room 8-B115
Washington, DC 20554

Commissioner Meredith Attwell Baker
Federal Communications Commission
445 12th Street SW, Room 8-A204
Washington, DC 20554

Commissioner John D. Burke
Vermont Public Service Board
112 State Street, 4th Floor
Montpelier, VT 05620-2701

Commisioner Ray Baum
Public Utility Commission of Oregon
550 Capitol Street, N.E., Suite 215
P. O. Box 2148
Salem, OR 97308-2148

Assistant Attorney General Simon ffitch
Office of the Attorney General
Public Counsel Section
800 5th Avenue, Suite 2000
Seattle, WA 98104-3188

Commissioner Larry S. Landis
Indiana Utility Regulatory Commission
101 West Washington St., Suite 1500E
Indianapolis, IN 46204

Commissioner Lisa Polak Edgar
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0809

DOCKET NO. 96-45 FEDERAL-STATE JOINT BOARD STAFF

Kay Marinos
Public Utility Commission of Oregon
550 Capitol Street, N.E., Suite 215
Salem, OR 97301
kay.marinos@state.or.us

Jennifer A. Richardson
Indiana Utility Regulatory Commission
101 West Washington St., Suite 1500E
Indianapolis, IN 46204
jrichardson@urc.state.in.us

Jessica Hilgendorf
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gerald Gunter Bldg.
Tallahassee, FL 32399-0809
jhilgend@psc.state.fl.us

George Young
Vermont Public Service Board
Drawer 20
112 State Street, 4th Floor
Montpelier, VT 05620-2701
george.young@state.vt.us

Lori Kenyon
Regulatory Commission of Alaska
701 West 8th Avenue, Suite 300
Anchorage, AK 99501
Lorraine.Kenyon@Alaska.gov

Peter Pescosolido
Connecticut Department of Public Utility Control
10 Franklin Square
New Britain, CT 06051
Peter.Pescosolido@po.state.ct.us

Joel Shifman
Maine Public Utilities Commission
242 State Street
State House Station 18
Augusta, ME 04333-0018
joel.shifman@maine.gov

Natelle Dietrich
Missouri Public Service Commission
Governor's Office Building
200 Madison Street
Jefferson City, MO 65102
natelle.dietrich@psc.mo.gov

Christine Aarnes
Kansas Corporation Commission
1500 SW Arrowhead Rd.
Topeka, KS 66604
c.aarnes@kcc.ks.gov

Kerri DeYoung
Massachusetts Dept. of Telecommunications & Cable
Two South Station, Fourth Floor
Boston, MA 02110
kerri.deyoung@state.ma.us

John Ridgway
Iowa Utilities Board
350 Maple Street
Des Moines, IA 50319-0069
john.ridgway@iub.state.ia.us

Denise Parrish
Wyoming Office of Consumer Advocate
2515 Warren Avenue, Suite 304
Cheyenne, WY 82002
dparri@state.wy.us

Vicki Helfrich
Mississippi Dept. of Information Technology
301 North Lamar Street, Suite 508
Jackson, MS 39201-1495
vicki.helfrich@its.ms.gov

Earl Poucher
Florida Office of the Public Counsel
111 West Madison, Room 812
Tallahassee, FL 32399-1400
poucher.earl@leg.state.fl.us

Robert Haga
California Public Utility Commission
505 Van Ness Avenue
San Francisco, CA 94102
RWH@cpuc.ca.gov

Kathy Hagans
Office of Ohio Consumers' Counsel
10 W. Broad St., Suite 1800
Columbus, OH 43215
hagans@occ.state.oh.us

Brad Ramsay
NARUC
1101 Vermont Ave. NW, Suite 200
Washington, DC 20005
jramsay@naruc.org

Angela Kronenberg
Office of Commissioner Clyburn
Federal Communications Commission
445 12th Street SW, Room 8A-302
Washington, DC 20554
angela.kronenberg@fcc.gov

Jennifer Schneider
Office of Commissioner Copps
Federal Communications Commission
445 12th Street SW, Room 8-B115
Washington, DC 20554
jennifer.schneider@fcc.gov

Christi Shewman
Office of Commissioner Baker
Federal Communications Commission
445 12th Street SW, Room 8-A204
Washington, DC 20554
christi.shewman@fcc.gov

Sharon Gillette, Chief
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-C352
Washington, DC 20554
sharon.gillette@fcc.gov

Alex Minard, Acting Legal Counsel
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-C434
Washington, DC 20554
alexander.minard@fcc.gov

Irene Flannery, Acting Associate Chief
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-C315
Washington, DC 20554
irene.flannery@fcc.gov

Jennifer McKee, Acting Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-A441
Washington, DC 20554
jennifer.mckee@fcc.gov

Amy Bender, Deputy Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-B448
Washington, DC 20554
amy.bender@fcc.gov

Gary Seigel
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-C408
Washington, DC 20554
gary.seigel@fcc.gov

Ted Burmeister
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-B438
Washington, DC 20554
theodore.burmeister@fcc.gov

Katie King
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-B544
katie.king@fcc.gov

OTHER FEDERAL STAFF

Alex Belinfante
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A132
Washington, DC 20554
alex.belinfante@fcc.gov

Alan Feldman, Deputy Chief
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A223
Washington, DC 20554
alan.feldman@fcc.gov

Jonathan Kraushaar
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A262
Washington, DC 20554
jonathan.kraushaar@fcc.gov

Jim Lande
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A134
Washington, DC 20554
jim.lande@fcc.gov

Suzanne Mendez
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A144
Washington, DC 20554
suzanne.mendez@fcc.gov

Jim Eisner
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A102
Washington, DC 20554
james.eisner@fcc.gov

Craig Stroup
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A104
Washington, DC 20554
craig.stroup@fcc.gov

John Vu
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A360
Washington, DC 20554
john.vu@fcc.gov

1. Industry Revenues and Contributions

This section provides a general overview of the revenues of the U.S. telecommunications industry, and the contributions to the universal service support mechanisms that are based on these revenues.[1] Most of the data for 2007 are taken from filings of annual Telecommunications Reporting Worksheets (FCC Form 499-A) made with the Universal Service Administrative Company (USAC) on April 1, 2008.[2] Revenue data collected on these worksheets are used to administer contributions to the universal service fund (USF), Interstate Telecommunications Relay Service (TRS), North American Numbering Plan (NANP), and local number portability (LNP) programs. Filer revenues also are used to calculate FCC Interstate Telecommunications Service Provider (ITSP) regulatory fees.[3] Data presented for 2008 and 2009 are taken from FCC Form 499-Q quarterly filings.

Revenue Information

The Commission has established several universal service mechanisms, governed by section 254 of the Telecommunications Act of 1996, that help ensure that all Americans have access to affordable telecommunications service. In section 254(d) of the Telecommunications Act of 1996,[4] Congress mandated that "[e]very telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient

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1 Portions of this section are based on Industry Analysis and Technology Division, Wireline Competition Bureau, Federal Communications Commission, *Telecommunications Industry Revenues* (September 2009).

2 Telecommunications providers filed worksheets containing calendar year 2008 revenue data on April 1, 2009. The worksheets are filed with the FCC's Data Collection Agent, which extensively reviews and validates data. Telecommunications providers routinely make revised filings. As a result, the data are not considered reliable enough for publication for several months after the initial filing date. Therefore, the 2009 filings were not available for use in this report and 2008 and 2009 data were based on the more abbreviated and less reliable FCC Form 499-Q quarterly filings. April 2008 FCC Form 499-A filings containing 2007 revenues were used to compile the 2007 data. Compilation was based on a database prepared by the Data Collection Agent as of October 13, 2008. Therefore, revised or new 2007 FCC Form 499-A filings that were received after October 13, 2008, are not reflected herein.

3 Much of the information filed on FCC Form 499-A is proprietary. Publicly available information on individual carriers is contained in Industry Analysis and Technology Division, Wireline Competition Bureau, Federal Communications Commission, *Telecommunications Provider Locator* (September 2007). *See also* FCC Form 499-A at fjallfos.fcc.gov/cgb/form499/499a.cfm.

4 Pub. L. No. 104-104, 110 Stat. 56 *codified* at 47 U.S.C. §§ 151 *et seq.*

mechanisms established by the Commission to preserve and advance universal service."[5] The Commission implemented this mandate in a 1997 *Report and Order*.[6] The Commission subsequently selected USAC as the universal service fund administrator. Telecommunications providers currently file FCC Form 499-A (Telecommunications Reporting Worksheets, due each April) and FCC Form 499-Q (Telecommunications Reporting Worksheets, due one month after the close of each calendar quarter).

Virtually all providers of telecommunications must file FCC Form 499-A each year.[7] On June 21, 2006, the Commission ruled that providers of interconnected Voice over Internet Protocol (VoIP) service also must file FCC Form 499-A worksheets.[8] These filers first provided whole year revenue information in their April 2008 FCC Form 499-A filings. Telecommunications Reporting Worksheets are not filed directly with the FCC but rather with USAC, which serves as the data collection agent.

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5 47 U.S.C. § 254(d).

6 *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776 (1997) (subsequent history omitted).

7 There are certain exceptions. Providers that offer telecommunications for a fee exclusively on a non-common carrier basis are not required to file if their total annual contribution to universal service would be less than $10,000. Government entities that purchase telecommunications services in bulk on their own behalf, public safety and local government entities licensed under Subpart B of Part 90 of the Commission's rules, and entities providing interstate telecommunications exclusively to government or public safety entities are not required to file. In addition, broadcasters, non-profit schools, non-profit libraries, non-profit colleges, non-profit universities and non-profit health care providers are not required to file. Finally, systems integrators that derive less than 5% of their systems integration revenues from the resale of telecommunications and entities that provide services only to themselves or to commonly owned affiliates need not file. However, services provided to exempt entities may be subject to contribution requirements and therefore exempt entities may be required to pay USF pass through charges to their underlying services providers.

8 *See Universal Service Contribution Methodology; Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format*, WC Docket No. 06-122, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Report and Order and Notice of Proposed Rulemaking and Report and Order, 21 FCC Rcd 7518 (2006) (*2006 Contribution Methodology Reform Order*).

FCC Form 499-A asks each filer to report total, interstate and international revenues in two broad categories: those billed to universal service contributors for resale (carrier's carrier revenues); and those billed to *de minimis* telecommunications providers and end users (end user revenues).[9] Filers must provide further breakdowns of local, wireless, and toll services. The form also asks each filer to choose the communications business that best describes its operations:[10]

- Competitive Access Provider (CAP) or Competitive Local Exchange Carrier (CLEC)
- Cellular, Personal Communications Service (PCS) and Specialized Mobile Radio (SMR) Wireless Telephony Service Provider
- Coaxial Cable
- Incumbent Local Exchange Carrier (ILEC)
- Interconnected VoIP
- Interexchange Carrier (IXC)
- Local Reseller
- Operator Service Provider (OSP)
- Other Local Service Provider
- Other Mobile Service Provider
- Other Toll Service Provider
- Paging and Messaging Service Provider
- Payphone Provider
- Prepaid Calling Card Provider
- Private Service Provider
- Satellite Service Provider
- Shared-Tenant Service Provider
- Specialized Mobile Radio - Dispatch
- Toll Reseller
- Wireless Data Service Provider

The Form 499-A instructs filers to report amounts actually billed to customers. This means that filers are required to report revenues net of discounts, but without making adjustments to reflect uncollectible revenues or international settlement payments and receipts. Most filers are able to report revenues in this manner using information contained in their corporate books of account. Some service

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9 Telecommunications providers are considered *de minimis* and thus are not required to contribute to universal service (or file Form 499-Q) if their annual contributions to universal service would be less than $10,000. For universal service contribution purposes, underlying service providers treat *de minimis* providers as end users.

10 The detailed definitions of the filer categories are contained in section III.A of the *Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A available at* www.fcc.gov/Forms/Form499-A/499a-2009.pdf. Starting in 2004, carriers were instructed to select up to 5 ranked categories of telecommunications service providers. The 2004 through 2006 forms included a category for All Distance carriers.

providers, however, have no business or regulatory requirements to record intrastate or international revenues separately from interstate revenues, or to use the detailed revenue categories contained in the worksheets. Many wireless providers use the interim safe harbor percentages to estimate the interstate portion of their revenues.[11]

Form 499-A filings sometimes contain mistakes. Initial examination of the data occasionally reveals carrier types, revenue amounts and/or revenues reported in service categories inconsistent with the known operations of the filer. Some corrections have been made based on supplemental filer information or as a result of audits. Nonetheless, disaggregated data are likely to be less accurate than industry totals.

Table 1.1 shows the major components of telecommunications revenues for 1998 through 2008. This table was created by simply aggregating the revenues in the major classifications designated on Form 499-A.

Tables 1.2 and 1.3 provide a look at annual industry revenues over time. Generally, Form 499-A revenue data can be tabulated in two distinct ways: by type of service provided and by type of business. Table 1.2 categorizes revenues by type of service and shows, for example, that carriers reported $121.2 billion in wireless service revenues for 2007. This total includes wireless service revenues from some carriers that are not identified as wireless carriers. In contrast, Table 1.3 shows that wireless service providers reported total revenues of $124.9 billion, including some revenues for fixed local and toll services.

Revenue data for 1997 and 1998 were derived by combining TRS worksheet and Universal Service worksheet data. Since 1999, revenue data came from Form 499-A, which replaced both the TRS and Universal Service worksheets. Because of reporting changes, data since 1999 are not entirely consistent with data for prior years.[12]

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11 *See Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A* section III.C.3., *available at* http://www.fcc.gov/Forms/Form499-A/499a-2009.pdf. In 2001 and 2002, the interim safe harbor for wireless carriers was 15%. In December 2002, the Commission raised the wireless interim safe harbor to 28.5%. Wireless carriers began reporting revenues based on the higher interim safe harbor percent on the FCC Form 499-Q due on February 1, 2003, and began contributing on this basis in April 2003. In the *2006 Contribution Methodology Reform Order*, the Commission raised the wireless interim safe harbor to 37.1%. Wireless carriers began reporting revenues based on this higher interim safe harbor percent in the FCC Form 499-Q due on August 1, 2006.

12 For example, special access revenues were included with other access revenues prior to 1997 but have been included with local private line services since then. Similarly, through 1996, filers reported as other local and mobile revenues substantial amounts of customer premises equipment, billing and collection, and other types of revenues that are excluded from contributions to universal service. These revenues are now reported as non-telecommunications revenues. The spreadsheet versions of both tables contain estimates of non-telecommunications revenues that had been reported in prior years. Based on staff estimates, the 1996 telecommunications revenues reported on TRS Worksheets would have been $10.5 billion lower if revenues had been reported using

Note also that each year, many filers erroneously report substantial amounts of switched toll revenues as other long distance revenues. The data are examined and some revenues are reclassified based on staff research. Even so, the other long distance category of Table 1.2 probably continues to contain some switched toll revenues, perhaps significant amounts in some years.

Table 1.4 illustrates how data from the Form 499-A are used to develop the funding base for the USF.[13] As noted above, providers are considered *de minimis* for USF purposes if their annual contribution is expected to be less than $10,000.

Revenue data for individual filers are not available to the public. However, Tables 1.5 through 1.8 present detailed industry totals by type of revenue and type of filer. Table 1.5 provides a detailed breakout of revenues for each of the Form 499-A revenue categories used to report services provided to other filers for resale. Table 1.6 displays similar detail for each of the revenue categories used to report telecommunications service provided to end users. Table 1.7 combines data from Tables 1.5 and 1.6 with data on non-telecommunications revenues to develop total industry revenues. Table 1.8 provides more aggregated revenue information by type of filers. The revenue categories presented in Tables 1.5 through 1.7 are explained in the Form 499-A filing instructions.

Table 1.9 presents data from quarterly filings of Form 499-Q for 2008 and 2009. Form 499-Q is far less detailed than Form 499-A. Because Form 499-Q filings do not include a business type, filers were categorized based on the primary business type selected on their Form 499-A filings. The quarterly form asks filers to identify revenues as carrier's carrier, contribution base end user, or non-telecommunications and to indicate the interstate and international shares of each category. Unlike Form 499-A, the quarterly form does not require filers to classify revenues by types of service. Also, international-to-international revenues are included with non-telecommunications revenues rather than with end user revenues.[14]

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current instructions. Some inconsistencies existed in the 1997 - 1998 period. For example, filers were required in 1997 to include inside wiring maintenance revenues as part of local exchange revenues. In 1998, filers were instructed to report these revenues as non-telecommunications service revenues. The local exchange service revenue data in Table 1.2 would show a greater increase from 1997 to 1998 if the same reporting instructions had been used for each year.

13 *See Telecommunications Industry Revenues 2007,* available at http://www.fcc.gov/wcb/iatd/lec.html for a comparison with the funding bases used for TRS, NANP, and LNP.

14 Filers record international-to-international revenues for calls that they receive outside the United States and that they carry to points outside the United States where the filer is operating as a U.S. carrier.

The universal service rules prohibit the fund administrator from releasing company-specific information contained in Form 499-A and Form 499-Q worksheets.[15] Revenue data for individual filers are not available to the public.

Program Requirements and Contribution Factors

Contributors make payments into the USF based on their interstate and international end user telecommunications revenues. Contributors report their revenue data to USAC, which tabulates the data, and reports it to the Commission. The Commission reviews program requirements and revenue data, and determines the appropriate contribution factor. The Commission's Office of Managing Director releases a public notice stating the proposed contribution factor for the upcoming quarter. If, after 14 days, the Commission takes no action regarding the proposed contribution factor, the factor becomes final.[16]

In February 2002, the Commission issued an order that, in relevant part, eliminated from the contribution base charges identified on the bill as recovering contributions to the universal service support mechanisms, a situation known as "circularity."[17] Specifically, to account for the inclusion of universal service line-item revenues in their contribution bases, service providers would increase their universal service line items above the contribution factor. Before these changes, service providers filed historic revenue information each quarter, including revenue derived from pass through charges on customers' bills, and the Commission would use these revenue totals along with total estimated program requirement to calculate the contribution factor.[18]

The elimination of circularity was implemented in the third quarter of 2002, and reduced each carrier's contribution base by the amount that the carrier paid into USF during the prior quarter. The line item "Circularity Adjustment" in Table 1.10 accounts for this change. The "Circularity Adjustment" represents the industry's actual contributions during the prior quarter as reported by USAC. This eliminated circularity as a reason for carriers to inflate pass through charges.

In December 2002, the Commission adopted an order that changed the basis for contribution assessments from historic gross-billed revenues to projected collected revenues.[19] This change addressed

15 47 C.F.R. §54.711(b).

16 47 C.F.R. §54.709(a)(3).

17 *See Federal-State Joint Board on Universal Service, et al,* CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Further Notice of Proposed Rulemaking and Report and Order, 17 FCC Rcd 3752 (2002).

18 The Commission reduces the revenue estimates by 1% to account for uncollectibles.

19 *See Federal-State Joint Board on Universal Service, et al,* CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Report and Order and Second Further Notice of Proposed Rulemaking, 17 FCC Rcd 24952 (2002).

the reason given by service providers with declining revenue for marking up their pass through charges. These service providers argued that they had to contribute based on historic amounts that were greater than their current period billings, resulting in the need to mark up their pass through charges. This change was fully implemented in the second quarter of 2003.

Having addressed circularity and changing the contribution assessment methodology to address declining revenues, the two main reasons cited by providers for marking up their pass through charges, the Commission adopted a rule requiring those contributors that recover their universal service contributions through a universal service line item to limit their recovery to the interstate portion of the customer's bill times the relevant contribution factor.[20]

Form 499-Q filers now file information on billed revenues for the previous quarter and both projected billed revenues and projected collected revenues for the upcoming quarter. Projected collected revenues, which are projected billed revenues less an allowance for uncollectible revenues, form the basis for USF contribution assessments. Projected collected revenues are then adjusted to eliminate circularity. Starting with the second quarter of 2003, the "Circularity Adjustment" amounts shown in Table 1.10 (discussed in more detail below) reflect expected USF contributions for the quarter rather than the industry's actual contributions from a prior quarter.

Table 1.10 shows the program funding requirements for 2008 and 2009. For each program and for each quarter, the table lists projected program demand, administrative costs, interest income, and periodic true-ups. The table also shows the revenue base and contribution factors for each quarter. As explained above, the contribution base is 1% less than reported revenues to reflect the fact that some contribution assessments may prove uncollectible.

In accordance with the Consolidated Appropriations Act of 2008 (P.L.110-161), the FCC instructed USAC to transfer $21.48 million from the USF to the FCC in federal fiscal year 2008 to support USF oversight efforts, including conduct of audits and investigations by the FCC Office of Inspector General.[21] Because the transfer of funds did not count against any funding caps, USAC recouped the funds by adding the transfer of $21.48 million to the total required collections. One-half of this amount was included in the 3rd quarter 2008 demand projection for each support mechanism. The remaining half was included in the 4th quarter 2008 demand projection for each support mechanism.

Sprint Nextel Corporation and Cellco Partnership d/b/a Verizon Wireless offered voluntary commitments whereby, at the end of a five-year transition, they would not seek USF support for their

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20 47 C.F.R. §54.712.

21 See Letter from the FCC Managing Director to D. Scott Barash, USAC Acting CEO, dated February 29, 2008.

wireless services unless such requests were supported by actual cost analyses.[22] The first installment of this voluntary commitment appears in the fourth quarter of 2009 of Table 1.10.

Table 1.11 shows universal service disbursements on a mechanism-by-mechanism basis for 2007. and 2008.[23] Chart 1.1 shows the 2008 information graphically.

Table 1.12 shows, on a state-by-state basis, the total amount of funding disbursements for each of the universal service mechanisms, estimated contributions towards universal service, and the net estimated dollar flow (disbursements less estimated contributions) for 2008.[24]

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22 *See* Applications of Cellco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC For Conc=sent to Transfer Control of Licenses, Authorizations, and Spectrum Manager and De Facto Transfer leasing Arrangements and Petition for Declaratory Ruling that the Transaction is Consistent with Section 310(b)(4) of the Communications Act, WT Docket No. 08-95, File Nos. 0003463892, *et al.*, ITC-T/C-20080613-00270, *et al.*, File No. ISP-PDR-20080613-00012, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17444 (2008); Sprint Nextel Corporation and Clearwire Corporation, Applications For Consent to Transfer Control of Licenses, Leases, and Authorizations, WT Docket No. 08-94, File Nos. 0003462540 *et al.*, Memorandum Opinion and Order, 23 FCC Rcd 17570 (2008).

23 Figures in Table 1.11 are lower than those in Table 1.10 due to the difference between projected demand and actual disbursements. The figures used in Tables 1.11 and 1.12 include disbursements that were committed over several years but paid out in the appropriate calendar year. In Sections 4 and 5, figures for the Schools and Libraries program and the Rural Health Care program are reported based on fiscal year rather than calendar year.

24 For a discussion of the methodology used to estimate contributions per state, see the Technical Appendix below and Table 1.13.

Technical Appendix

Carrier revenue information is not reported on a state-by-state basis. Therefore, it is necessary to estimate revenues per state in order to derive contributions made per state.

The nationwide sum of contributions to support universal service is equal to the payments made from USAC to recipients of funds from the universal service mechanisms plus administration costs. Contributions on a per-state basis are computed by multiplying nationwide contributions by the ratio of interstate end user revenues in each state to nationwide interstate end user revenues. Estimates of interstate end user revenues by state are reported in Table 1.13. These estimates of end-user interstate revenue are used as a basis for estimating contributions in Table 1.12.[25]

The remainder of this appendix provides a detailed description on how revenues are allocated to the states. Tables 1.5 and 1.6 present nationwide data on telecommunications revenues derived from information filed on Form 499-A Telecommunications Reporting Worksheets. Nationwide (cumulative) telecommunications revenues from these tables are divided into categories. These categories are ILECs' local exchange service revenues, CLEC revenues, subscriber line charge (SLC) revenues, access revenues, mobile wireless revenues and toll revenues.[26] Table 1.14 presents telecommunication revenues for each of these categories at the nationwide level.

As set forth below, once the revenues are divided into categories, we use data from several sources to estimate each state's telecommunications revenues. Data from ARMIS[27] are used to estimate on a state-by-state basis ILECs' local exchange service revenues, access revenues, and toll revenues.[28] Data from tariff access filings with the FCC are used to estimate SLC revenues. CLEC and mobile wireless revenues are estimated on a state-by-state basis using data from FCC Form 477.

Table 1.15 shows intrastate carrier's carrier, end user and total telecommunications revenues by category for ILECs' local exchange service, CLECs, wireless, access, ILEC toll, and non-ILEC

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25 Each state's share of interstate end user revenues and contributions are reported under the heading "estimated contributions percent of total."

26 The notes in Table 1.14 discuss how revenues from Tables 1.5 and 1.6 are assigned to categories in Table 1.14.

27 Automated Reporting Management Information System (ARMIS). ARMIS data are available on the ARMIS Internet site, which can be reached *at* www.fcc.gov/wcb/eafs/.

28 Revenues for Alaska, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands are not estimated using data from ARMIS because these jurisdictions have no telephone companies subject to the FCC's ARMIS 43-01 and 43-08 reporting requirements.

toll.[29] Components of interstate carrier's carrier, end user and total telecommunications revenues are presented in Table 1.16. These components include ILECs, CLECs, wireless, SLCs, access, and toll.[30]

Data from ARMIS are adjusted prior to allocating nationwide revenues to the states. ARMIS data include those ILECs with annual operating revenues over $134 million for 2006 and revenues over $138 million in 2007. The ARMIS revenue data represent approximately 93 percent of the local telephone industry based on USF loops. Here, data from ARMIS are expanded to include the entire ILEC industry based on USF loops. Column 1 of Table 1.17 shows USF loops at year-end 2007. Column 2 shows the percent of the ILEC industry that reported in the ARMIS filings. It is the average for year-end 2006 and 2007 data.[31] The adjustment formula in Column 3 is (100/Column 2).

In Table 1.18, ILECs' state local exchange revenues are allocated based on local exchange service and state miscellaneous revenues from ARMIS Report 43-01 filings. Local exchange revenues for allocation are the product of reported ILECs' local exchange service and miscellaneous revenues and the adjustment formula in Table 1.17. Allocation percentages in each state are the ratio of the state's allocation revenues to nationwide revenues. Local exchange revenues by type are determined by multiplying the allocation factor by the type of revenues (see Table 1.14).

In Table 1.19, we allocate interstate and intrastate CLEC revenues on a state-by-state basis by multiplying national revenues (see Table 1.14) by an allocation percentage. The allocation percentage is determined by dividing the number of CLEC lines in a state, as reported in FCC Form 477, by nationwide CLEC lines.[32]

In Table 1.20, we allocate interstate and intrastate mobile wireless revenues on a state-by-state basis by multiplying national revenues (see Table 1.14) by an allocation percentage. The allocation percentage is determined by dividing the number of wireless subscribers in a state by nationwide

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29 Estimated intrastate telephone revenues for Alaska, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands are determined by multiplying the nationwide average intrastate telephone revenues per loop by number of loops in the jurisdiction.

30 Estimated interstate telephone revenues for Alaska, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands are determined by multiplying the nationwide average interstate telephone revenues per access minute by number of access minutes in the jurisdiction.

31 The staff estimate is based on the share of USF loops that are associated with carriers that file ARMIS reports.

32 *See Local Telephone Competition: Status as of June 30, 2008* at http://www.fcc.gov/wcb/iatd/comp.html for CLEC lines as of June 2007.

wireless subscribers using data from FCC Form 477.[33]

SLC revenues are allocated by state in Table 1.21. The sum of residential non-Lifeline lines (including both primary and non-primary lines) and single-line business lines are estimated by multiplying residential non-Lifeline lines and single-line business lines from ARMIS Report 43-01 by the adjustment factor from Table 1.17. Column 1 shows primary residential lines and single-line business lines which is the difference between total residential and single-line business lines, and non-primary lines. Non-primary residential lines are from ARMIS Report 43-08. Multi-line business lines (Column 3) are estimated for the industry by multiplying the number of lines in ARMIS Report 43-01 by the adjustment factor in Table 1.17.

Primary residential and single-line business lines SLC rates per month, shown in Column 4, are the rates filed in the Tariff Review Plan (TRP) for price-cap carriers from July 2007 filings and from National Exchange Carrier Association (NECA) pool and rate-of-return carriers.[34] Non-primary SLC revenues per line per month for price-cap companies, shown in Column 5, are the rates filed in the TRPs from the July of 2007 filings. Multiline business SLC rates per line per month in each state, shown in Column 6, are estimated based on the rates in the July 2007 TRP filings for price-cap companies and from NECA pool and rate-of-return carriers.[35]

Revenues used for allocating SLC revenues by state are determined by the following formula: 12 * [primary residential and single-line business SLC per line per month * (primary residential lines and single-line business lines) + multiline business SLC per line per month * (multiline business lines) + non-primary lines * non-primary SLC per line per month]. Allocation percentage in each state is the ratio of the state's allocation revenues to nationwide revenues. SLC revenues are determined by multiplying the allocation factor by the type of revenues (see Table 1.14).

In Table 1.22, interstate access revenues and private line revenues are allocated on a state-by-state basis based on net access revenues. Gross access revenues for allocation are the product of interstate access revenues from ARMIS Report 43-08 and the adjustment formula presented in Table 1.17. Revenues for allocation are the difference between gross access revenues for allocation and subscriber line charge revenues. Allocation percentages in each state are the ratio of the state's allocation revenues to nationwide revenues. Access revenues by type are determined by multiplying the allocation factors by the revenues of each type (see Table 1.14).

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33 *See Local Telephone Competition: Status as of June 30, 2008* at http://www.fcc.gov/wcb/iatd/comp.html for wireless subscribers as of June 2007.

34 Carrier USF loop counts are used as weights. We assume that the residential SLC for NECA pool and rate-of-return carriers during the relevant time period was $6.50.

35 The rates of NECA pool carriers and rate-of-return carriers are assumed to be $9.20 per line per month for multiline business.

In Table 1.23, intrastate access revenues are allocated between states based on intrastate access revenues from ARMIS Report 43-08. Intrastate access revenues for allocation are the product of these access revenues and the adjustment formula in Table 1.17. Allocation percentage in each state is the ratio of the state's allocation revenues to nationwide revenues. Access revenues by type are determined by multiplying the allocation factor by the type of revenues (see Table 1.14).

Table 1.24 shows ILEC toll revenues of large ILECs reported in ARMIS Report 43-08, and ILEC intrastate toll revenues.[36] ILEC intrastate toll revenues are the product of ILEC reported revenues and the adjustment formula in Table 1.17.

Table 1.25 shows how non-LECs' intrastate toll revenues are allocated between states based on intrastate access minutes and intrastate access revenues.[37] Non-LEC toll is the difference between intrastate toll revenues and LEC toll revenues.[38] Intrastate toll revenues are reported in Table 1.14, and LEC toll revenues are reported in Table 1.24. Column 1 shows access minutes for allocation. Access minutes for allocation are the product of intrastate-interLATA access minutes from ARMIS Report 43-01 and the adjustment formula in Table 1.17. Column 2 shows each state's percentage of intrastate access minutes. Column 3 shows each state's percentage of intrastate access revenues.[39] The allocation percentages for non-LECs' intrastate toll revenues, presented in Column 4, are (75% * Column 2) + (25% * Column 3). Intrastate toll revenues by type presented in Columns 5 and 6 are determined by multiplying the allocation percentage by the type of revenues.

In Table 1.26, interstate toll revenues are allocated on a per state basis by interstate access minutes. Interstate access minutes are from Table 8.4. The allocation percentages are each state's percentage of interstate access minutes. Interstate toll revenues by type presented are determined by multiplying the allocation percentage by the type of revenues. (see Table 1.14).

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36 ILECs' toll revenues as reported in ARMIS are treated as intrastate revenues for allocation purposes.

37 Intrastate access revenues are a proxy for intrastate toll rates.

38 We assume that all LEC toll revenues are end user revenues.

39 Intrastate access revenues are reported in Table 1.23. Non-LEC toll is the difference between intrastate toll revenues and LEC toll. LEC toll is assumed to be end user toll. Intrastate toll revenues are reported in Table 1.14 and LEC toll in Table 1.24.